

# Alternative Financing

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## *Solutions Made Simple*



***Unlocking The Alternatives***

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# Presented By:

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# Who Is Karlene Sinclair-Robinson?

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# Factors To Consider

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## When Starting Your Business

- **Creating An Entity:**
  - LLC / LLP / INC
  - Sole Proprietorship
- **EIN – Employer Identification Number**  
(Form SS-4)
- **Business License & Insurance**
- **Employee Verification I-9**  
(USCIS – US Citizen & Immigration Services)
- **Minority Classification**

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# Business Classification

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## When Working With The Government

### Minority Classification

- MBE - Minority Business Enterprise
- WBE - Women Business Enterprise
- DBE - Disadvantaged Business Enterprise
- SDVOSB - Service-Disabled Veteran-Owned Small Business
- HUBZONE - Historically Underutilized Business Zones

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# Who Might Need Financing

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- Pre-Startups < 0 mths
- Startups <2yrs
- Growth-Oriented Companies
- Undercapitalized Companies
- Companies with Tax Issues

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# Industries Types

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## Retail

- Consumers
- Businesses
- Government – Local, State, Federal

## Service Related

- Government – Local, State, Federal
- Businesses
- Consumers

## Government Contract Providers

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# Reasons to Access Capital

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- Business Expansion
- Increases Inventory/Equipment
- Increase Sales
- Unexpected Expenses
- Payroll Taxes
- Tax Liens
- Fill more orders
- Pay Supplies/Vendor in a timely manner
- Increase Advertising Budget
- Administrative Expenses
- Physical Improvements/Repairs
- Receive Cash Discounts from suppliers/vendors for purchasing with cash and/or paying on time.
- Extend Credit to Large Customers
- Cash to GROW your business
- And Much More

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# Financing Options

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1. Family / Friends Financing
2. Peer-to-Peer Lending
3. Equipment Lease Financing
4. Factoring /Accounts Receivable Funding
5. Purchase Order Financing
6. Merchant Cash Advance
7. Microloans
8. Asset Based Lending
9. Conventional Loans
10. Private Commercial Loans
11. Equity /Venture Capital

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# 1. Family / Friends Financing

Access the capital needed for your business through family, friends, using your personal credit cards, or other personal funds to financing

## New Start Up

- Relatives/Friends lending money
- Credit Cards
- Personal Savings

## Benefits:

- Quick
- No Financials Required
- No/Limited Paperwork

## Disadvantages:

- Capped – Credit Limit
- Reputation
- High Interest Rates on Credit Cards

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## 2. Peer-To Peer Lending

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Peer-to-Peer lending is an online/web-based concept of individuals lending up to \$25,000 to other individuals through a pool of individuals in order to minimize risk.

$$\text{Example: } 200 \text{ Investors} \times \$50 .00 \\ = \$10,000$$

### Benefits

- Fast Funding
- Easier to Qualify
- Multiple Funding Opportunities

### Disadvantages

- Maximum Amount \$25K
- High Interest Rates

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# 3. Equipment Lease Financing

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Use this financing option to get the equipment you need and keep your cash reserves! The equipment is used as the collateral to secure the financing.

## Equipment You Can Finance

- Machinery
- Heavy Equipment
- Restaurant Equipment
- Vehicles
- Software
- And Much More!

## ***Benefits***

- Gain Additional Working Capital
- Tax Savings
- Lower Monthly Payments
- No Deposits or Low Deposit
- Working Capital

## ***Disadvantages***

- Obligation to repay loan
- Use of Funds

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## 4. Factoring

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Let your invoices work for you now! Use your invoices to access the capital you need by doing business with Creditworthy clients (government or business-to-business).

- Is the purchase of business-to-business or business-to-government accounts receivable (invoices) for goods that have been delivered or services that have been rendered in the past for a fee.
- **Factoring / Accounts Receivable Funding is not a loan.**
- **It is the Sale of An Asset**

### ***Benefits***

- New Start Up < two years old
- Ideal for non-bankable businesses
- Does not require strong Financials
- Credit Score not needed!

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### ***Disadvantages***

- Finding a Factor
- Client Relationship

# 5. Purchase Order Financing

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Refers to the funding of a Purchase Order

PO Funding is the short-term financing used by the borrower to fulfill a purchase order from a creditworthy buyer.

## ***Benefits***

- Fast access to capital
- Fill larger orders
- Grow your company faster
- Expand your business without incurring bank financing

## ***Disadvantages***

- More expensive
- Product MUST BE finished goods!
- You MUST NOT receive ordered items!
- Minimum amount you can financed (based on Financing Source)
- Not all industries can qualify

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# 6. Merchant Cash Advance

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Merchant Cash Advance is the sale of future Credit Card Receivables.

It uses your last 4 , 6, or 12 months of merchant statements and banking deposits such as cash and checks to determine what your company qualifies for per each business location.

## ***Benefits***

- Fast approval time
- Funded very quickly
- Not Credit Score Driven
- Flexible Repayment Terms
- No Fixed Monthly Payments
- No Collateral required to qualify
- No restrictions on how funds are spent

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## ***Disadvantages:***

- Shorter repayment terms less than a year
- Higher Repayment rates
- Amount funded is per location; if you have multiple branches, each will have to apply separately

# 7. Micro Loans

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Access the capital you need for your business by getting a Microloans. These loans can go up to \$50K but in most instances caps at \$25K for Startups and up \$35K for seasoned Small Businesses.

Microloans are accessible through traditional (bank) and non-traditional (Alternative Sources).

## ***Benefits***

- Great for Startups and Small Businesses
- Easier to qualify for
- Unrestricted Use of Funds
- Small repayment amounts

## ***Disadvantages***

- Amount is limited
- Is Credit driven
- Obligation to repay loan
- Not all companies or individuals can qualify

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# 8. Asset Based Lending (ABL)

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Leverage your assets to secure Working capital.

- Companies producing in excess of 5 Million annual sales
- Relies primarily on your business assets (M&E, Inventory, A/R, Real Estate).
- Suitable for Highly-leveraged companies
- Suitable for Undercapitalized companies

## **Benefits**

- Raises Capital
- Revolving Lines
- Provides Short term working capital

## **Disadvantages**

- High Due Diligence Fees
- Strong Financials Required
- Encumbered Assets
- No Flexibility
- Limits Future Borrowing

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# 9. Conventional Loans

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Conventional loans are loans through traditional sources who govern by the Federal Deposit Insurance Corporation (FDIC).

## ***Benefits***

- Rates/Interest – Inexpensive
- Ancillary Services
  - Checking Accounts
  - Savings Accounts
  - Insurance
  - Investment tools

## ***Disadvantages***

- Restricted use of funds
- 2 years or more in business
- Must be Profitable
- Lengthy Approval Process
- Encumbers Business and Personal Collateral
- Strong Personal Credit History Required
- No Bankruptcies, Tax Liens or Judgments
- Credit lines capped – Limits future borrowing

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# 10. Private Commercial Loans

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Private Commercial Loans are loans based on the financing of a business or real estate transaction through non-traditional sources (investors).

## Types of Private Commercial Loans

- Hard Money
- Bridge Loan Financing
- Construction Loans
- Farm Loans
- DIP Financing
- And...More

## Benefits

- Fast Approval / Denial Process
- Fast Closing Times
- Flexible
- Based on collateral
- Credit not required in some cases,

## Disadvantages

- Cost of Money
- Collateral / Experience Base
- Your Numbers Must Work

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# 11. Equity / Venture Capital

Equity / Venture Capital financing is a private investment into a qualified business for future growth, expansion and gain. This is not for the startup that is not profitable.

## STAGES

- Pre-Seed / Seed
- Expansion
- Mergers and Acquisitions

## ***Benefits***

- Raise Capital
- No debt
- Limited Repayment Responsibilities
- Management Support

## ***Disadvantages***

- Lengthy Processing
- Ownership Control/ Equity Dilution
- Strong Management/Financials
- High Due Diligence Fees
- Limited number of companies funded

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# Final Thoughts

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Finally, every business is different. Your financing needs are not all the same. Before accessing capital, do your homework.

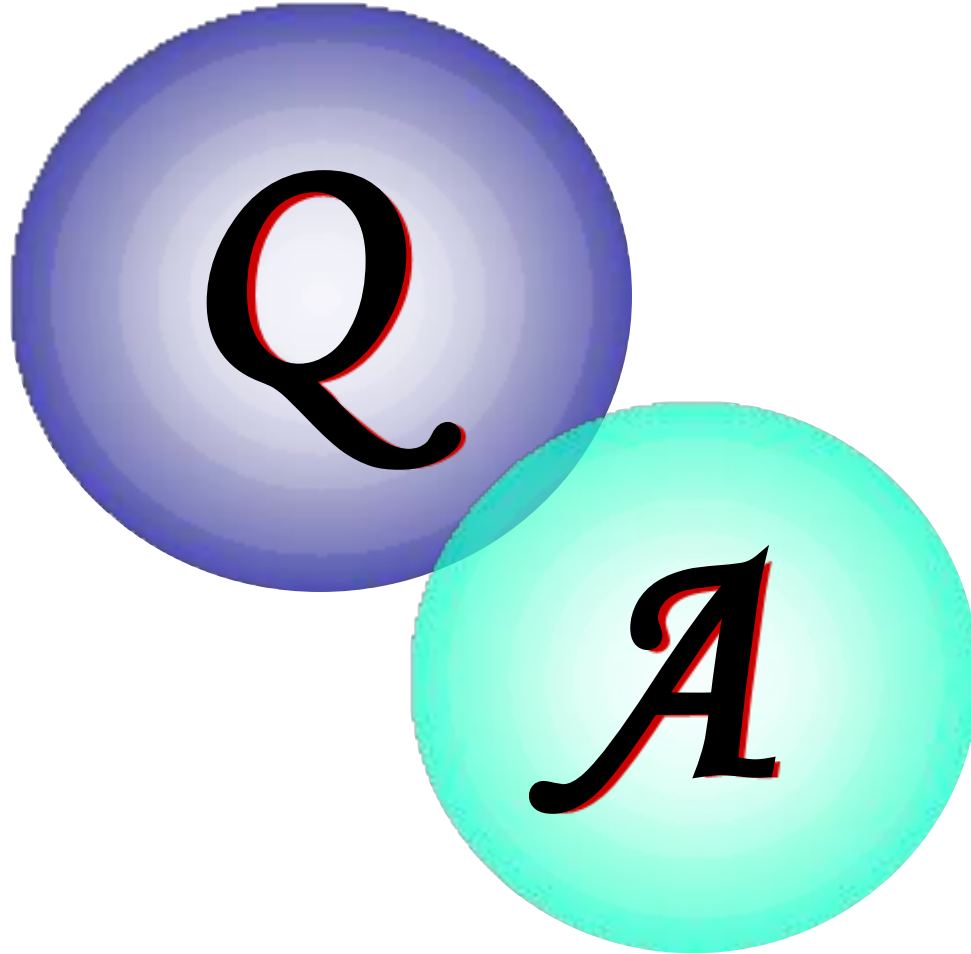
Here are a few questions to consider:

- Why do you need financing?
- Have you completed a Financial Assessment of your business?
- Is your business a viable candidate for OPM investment (Other People's Money)?
- Does the financial solution fit your business needs?
- Is the financing flexible with clear processing guidelines?
- What will this financing do for your business?
- Do you have to provide a Personal Guarantee?
- Are you seriously ready to access the financing your business needs?

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# Alternative Financing

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# Contact

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